SURFACE TRANSPORTATION BOARD - RETAC
COAL PRODUCER UPDATE

Jill Harrison, SVP & General Counsel
Alpha Coal Sales Co., LLC
April 14, 2015
U.S. Coal Production by Basin (million tons)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>% Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAPP</td>
<td>19</td>
<td>19</td>
<td>17</td>
<td>(8.4%)</td>
</tr>
<tr>
<td>CAPP</td>
<td>148</td>
<td>128</td>
<td>117</td>
<td>(8.6%)</td>
</tr>
<tr>
<td>NAPP</td>
<td>126</td>
<td>125</td>
<td>132</td>
<td>6.1%</td>
</tr>
<tr>
<td>ILB</td>
<td>128</td>
<td>132</td>
<td>137</td>
<td>3.7%</td>
</tr>
<tr>
<td>PRB</td>
<td>424</td>
<td>416</td>
<td>421</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other</td>
<td>171</td>
<td>164</td>
<td>172</td>
<td>4.9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1016</td>
<td>984</td>
<td>996</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

SOURCE: Energy Information Administration (EIA); National Mining Association (NMA), U.S.Census, Alpha Research
Diversity of Coal Purchases 2007

Tons in Millions and % by Region – 100% Actuals

- **PRB** 36.6% 28.2 M Tons
- **Western** 2.6% 2.0 M Tons
- **Illinois Basin** 2.1% 1.6 M Tons
- **Alabama** 10.8% 8.4 M Tons
- **CAPP** 30.8% 23.7 M Tons

Southern Coal Generation: 21 Coal Plants (65 units)
77 Million tons Actual 2007

Import – 17.0%
13.1 MM tons (Colombian)
# Projected Domestic Pricing for Thermal Coal

<table>
<thead>
<tr>
<th>OTC Index</th>
<th>2015 Projections</th>
<th>Calendar Year Projections</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>May</td>
<td>June</td>
</tr>
<tr>
<td><strong>Powder River Basin (PRB)</strong></td>
<td></td>
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</tr>
<tr>
<td>8800 0.8</td>
<td>$10.20</td>
<td>$10.30</td>
</tr>
<tr>
<td>8400 0.8</td>
<td>$9.10</td>
<td>$9.15</td>
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<tr>
<td><strong>Central Appalachia (CAPP)</strong></td>
<td></td>
<td></td>
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<tr>
<td>Nymex 12000 1.7</td>
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</tr>
<tr>
<td>$49.25</td>
<td>$49.25</td>
<td>$49.00</td>
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<tr>
<td>CSX 12500 1.6</td>
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<tr>
<td>$45.15</td>
<td>$45.25</td>
<td>$45.40</td>
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<td>NS 12500 1.6</td>
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<tr>
<td>$46.75</td>
<td>$46.75</td>
<td>$47.00</td>
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<tr>
<td><strong>Northern Appalachia (NAPP)</strong></td>
<td></td>
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<tr>
<td>MGA Rail 13000 4.0/4.5</td>
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<tr>
<td>$42.75</td>
<td>$42.75</td>
<td>$43.25</td>
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<tr>
<td>Mon Rvr 13000 4.8</td>
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<tr>
<td>$45.25</td>
<td>$45.25</td>
<td>$45.60</td>
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</table>

*SOURCE: Per Coaldesk publication as of 4/07/2015*
U.S. Coal Car Loadings

U.S. Class I Coal Car Loadings

Week Ending

Week Ending

SOURCE: Association of American Railroads
Effects of EPA Regulations

- Of the approximately 315,000 MW that comprised the U.S. coal fleet in 2010, nearly one quarter of that capacity has been announced for closure or conversion.

- Of the announced retirements and conversions, 61,000 MW (19% of the 2010 U.S. coal fleet total capacity), is attributed to EPA policies.

- In their analysis of expected impact from MATS and CSAPR, EPA projected only 9,500 MW of coal-fired power to go offline.

SOURCE: American Coalition for Clean Coal Electricity (ACCCE), 2015
Technology Continues to Advance… Slowly

- Conceptual design for Mississippi Power’s Kemper County Energy Facility began in 2008, with earthwork beginning in 2010.

- A number of delays have postponed the plant’s scheduled operation and production dates (now expected in the first half of 2016) and added significant cost to the project.

- Initial 2004 forecasts estimated the project would cost $2.2 billion, but ten years later, Mississippi Power’s October 2014 public filing estimates the total project cost at $6.1 billion, nearly triple original estimates.

SOURCE: Mississippi Power
Projected Global Coal Demand

2012: 5.526 Billion Tons Coal Equivalent (tce)

2019: 6.462 Billion Tons Coal Equivalent (tce)

SOURCE: International Energy Agency (IEA)
U.S. Coal Exports

Monthly Exports (000 Tons)

SOURCE: Energy Information Administration (EIA); National Mining Association (NMA), U.S. Census, Alpha Research
Exports from Australia and the U.S.

Total Australia Coal Exports (Million Tonnes)

Total U.S. Coal Exports (Million Tonnes)

Australia

U.S.

SOURCE: U.S. Census, ABS
Strength of the Dollar

The strength of the U.S. Dollar against other currencies like the Russian Ruble and the Australian Dollar continues to present competitive challenges for U.S. coal producers.

SOURCE: Bloomberg
In Summary

The IEA and others predict that coal will continue to be a growth fuel over the next 25 years, but a number of factors are culminating to create challenges in the near term for U.S. coal producers.

- **Central Appalachia expected to take the most significant hit**
- **Increase in PRB, NAPP and Illinois Basin production**
- **Nearly one-fourth of coal-fired power fleet retiring or converting**
- **EPA’s proposed Clean Power Plan to be finalized this year**

**Basin Shifting in the U.S.**
- Market oversupply, especially from Australian coal
- Strength of the U.S. Dollar compared with other currencies

**Export Demand and Pricing**

**Impact of U.S. Regulation**

SOURCE: American Coalition for Clean Coal Electricity (ACCCE), International Energy Agency (IEA), National Mining Association (NMA), U.S. Census, Alpha Research
LOOKING FOR CHEAP, RISK-FREE, ALL-NATURAL, ABUNDANT ENERGY?

START RUBBING.